

that the money will be paid; he places credit or trust in him (or the buyer receives credit) on account of those experienced qualities. And, similarly, in the wider interchanges of commerce, the characteristic of credit is the *deferment* of payment in coin by the buyer—for the accepted cheque may pass from hand to hand before it is presented for discharge to the bank on which it is drawn, and a bill of exchange (as an admitted promise to pay) postpones the actual testing of the giver's capacity to settle until the bill has matured. The credit or faith reposed in a person's honour and financial standing—the two conditions are united in these cases—justifies the seller in parting with goods for a documentary acknowledgment which he feels sure will, at the appointed time, vindicate its expressed reality by the substitution of cash.

Money is said to be cheap or dear when the amount available ..(the surplus savings not at the time invested in trading or in securities) for loans and the discount of bills is plentiful or scarce in proportion to the demand for its use; and the value of money (its cheapness or clearness) is measured by the relation between each £100 of it and the sum charged for its loan—the rate of interest per cent. This relation naturally varies, and the rate of interest required depends upon the amount of money which those who possess it desire to lend, and the amount which others wish to borrow for trading and investment purposes. Money being simply a commodity selected as a suitable medium for effecting the interchange of material commodities useful and desirable, the price paid for its use is obviously controlled by the relation of supply and demand : an increased number of borrowers (and an increased volume of borrowings) tend to augment the rate of interest; as the borrowings decrease, the need of employing the supplied capital profitably produces, by competition between lenders, a diminished price or rate of interest. This is a general statement affecting the charge for loans : in particular cases the rate is also influenced in its amount by the nature of

the borrower's business, its riskiness or comparative freedom from violent fluctuations, the soundness or imprudence with which<sup>h</sup> he conducts his operations, his financial position, and generally the credit (which includes these features) which he possesses